or dings and scratches. Assuming that the car is *presentable*, we still need to assure its soundness.

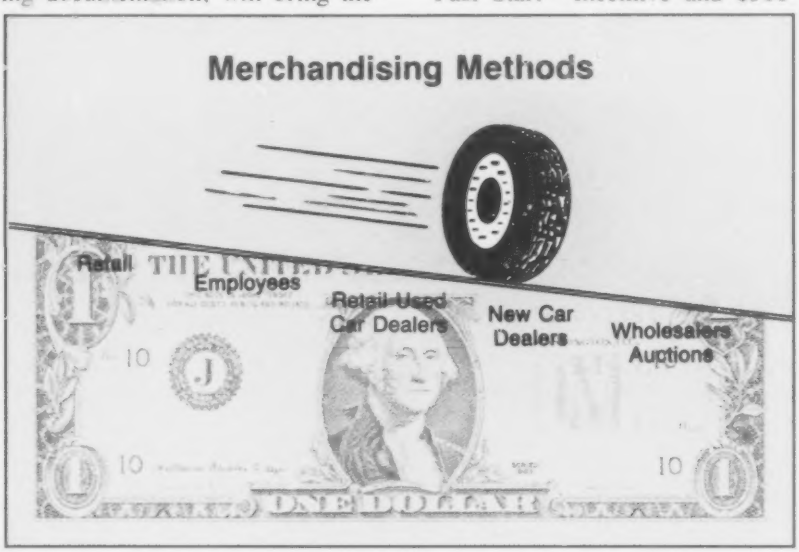
Here's where an ongoing maintenance management program can really pay off. Not only will a vehicle present well and run well if it has been cared for on a regular basis, it will also sell faster when a maintenance history can be produced to document that care. More and more fleets are relying on maintenance management programs to cut operating costs, insure prevention of costly repairs, and minimize downtime. But they're also beginning to realize the big payoff at the end of the cycle: a better unit, with supporting documentation, will bring the top price.

• Sixth, is fleet incentives. Here we're talking about the types of things we can do up-front that have a positive impact on the net holding costs of our vehicles.

We should do our homework, be knowledgeable about what is available, and be organized to take advantage of these factors. For example, the domestics generally offer an "Early-Order" Incentive. Do we know how the various manufacturers compare? Have we gotten out selector lists to our drivers early enough to place orders that will qualify for these incentives? It can mean $150 to $500 up-front savings.

Do we know the option packages available, so that we can get better-equipped vehicles, happier drivers, and higher resale? For example, this year, one manufacturer is offering a package on one of its fleet cars that consists of a convenience group: tilt wheel, electric defrosters, electronic AM/FM stereo cassette, and air conditioning. The retail value is $1,362. The discount from retail is $462. This, in combination with the $350 "Fast Start" Incentive and $500 Model-Year Incentive, represents a discount of over $1,300 on a good fleet car with enhanced resale. In addition, the option package pays for itself. It's not easy to keep up with all these programs, but I assure you it's worth the effort.

• Seventh, is the *method of merchandising*. This is an important variable we have some control over, and it makes a big difference in the final selling price of our units.



"Resale — the management of residual values — should be recognized as the most significant controllable variable in the Holding Cost equation."

Therefore, it impacts our overall holding costs. Many savvy fleet managers are working to set up employee purchase programs. Fleet vehicles due for replacement are offered for cash sale to employees. Usually, the current operator has first right of refusal. Employee sales help the fleet manager in at least two ways. First, selling to an employee is a quasi-retail transaction—somewhere between wholesale and retail pricing—that brings a better return to the company. Second, knowing that he has the option to buy the vehicle, the employee is usually more conscientious about maintaining and servicing the vehicle, thereby reducing the running costs to the company and enhancing resale.

After employee sales, the next best method of disposal is to sell directly to used-car dealers. Since they in turn sell directly to the retail public, there is no middle man and, consequently, the selling price is somewhat higher. Each dealer generally looks for a specific type unit. Some like only cream puffs; others specialize in high mileage, others want only sporty models. If you use only this approach, you need a lot of dealers!

A third method is through wholesalers, the middlemen who sell to dealers. These buyers will generally purchase many vehicles at a time, offering the convenience of bulk sales, but at lower prices.

A fourth method is to merchandise vehicles at auctions. Auctions are a convenient method of merchandising, to be sure. I would point out, however, that there are costs associated with auctions, such as fees of various types, that can cut into your net returns. Also, it's best to run a unit through an auction at a time and place when the right kind of buyer will be present. This, though, means some homework, following auction announcements and organizing your sales. Which means more work. I think the best advice is to view auctions as one of

a number of avenues of marketing used vehicles.

If you do the selling yourself, explore the various avenues available, and make sure your lessor or fleet management company utilizes multiple markets, too. Beware of the lessor who depends on a single outlet.

I've been using the word "merchandising" instead of "disposal" to describe the selling of used cars in order to underline the need for a strategy or plan designed to maximize return.

Ideally, each unit could be evaluated to determine the best disposal method, given the make, mileage, condition, and other factors. To do that, however, would be to make a career of selling company cars. How many dealers do you know? You need a network, buyers for different product classes. You need to be totally current on the market. You need expertise to negotiate, but even more, you need time. It takes time to shop cars, market them to the right buyer, and process the paperwork.

In lieu of doing it yourself (time for a commercial), I think the best alternative is to hire someone to do it for you, a fleet management company with the staff, expertise, network, and other tools of the trade.

But, be careful. Make sure your leasing or fleet management company *really can* do it better. And the best way to determine capability is to make sure that you are aware of their historical performance. Further, make sure you understand how they stack up against their competition.

Finally, we should decide up-front to be realistic about our book depreciation rates. Set the units up so that large book losses are not incurred at resale time. The depreciation rate should agree with the planned service life and the market depreciation guidelines I touched on earlier.

The used-car market is a direct function of what's going on in the general economy — the value of the dollar, the cost of money, fear of recession, and what the manufacturers are doing with incentives and financing.

But all of these are variables that change quickly and often during the period between purchase and resale — the in-service and out-of-service dates on our vehicles. There's not much we can do about them, and it's hard to plan for them. In a topsy-turvy economy, where the leading indicators usually don't indicate anything very clearly, I think it is reasonable to be somewhat suspect of all forecasts. Someone once said that smart guys make forecasts that wise men ignore. Whether that's true or not, I think it's wise to focus first on the types of decisions we can control, and not base our decisions on speculation. We've been burned before. Fleet management is a lot like buying futures, investing in a commodity whose value today hinges on its probable value months and years down the road. And the brokers of futures always recommend spreading your investment to *minimize risk. The ideal is to main*tain enough variety in your fleet to allow the quickest and least expensive adaptation to changing market conditions.

In summary, achieving this ideal means balancing our attention to two types of issues. On the one hand, the up-front decisions that determine:

- what vehicles we put in our fleet;
- the variety of vehicles we use;
- the age and mileage criteria we use to decide replacement;
- the way we equip vehicles for each type of application, and
- the way we dispose of units at replacement time.

We control these up-front decisions, and we have facts, historical data, and common sense to guide us.

On the other hand, there are issues having to do with the direction of the economy as a whole, and how those developments will impact the value of our particular vehicles. I've said repeatedly that forecasting those trends or developments is terribly risky. You could win big, or you can lose your shirt. The most reasonable way to enhance used-car values is, in my mind, to make sure we've handled the "up-front" issues in as complete and *balanced* a manner as possible. AF

Sample Holding Costs
(30-Month Service Life)

Vehicle		[1]Original Cost	[2]Resale Value	Net Holding Cost
Class 1 (Sales/Service)	1985 Aries SE 4-cyl, AT, AC, PS, cruise.	$ 8,014	$3,240	$4,774 ($159/mo.)
Class 2 (Management)	1985 Marquis Brougham 6-cyl, AT, AC, PS, cruise, tilt, stereo, rear defroster.	$ 9,212	$4,078	$5,134 ($171/mo.)
Class 3 (Executive)	1985 Electra Park Avenue 6-cyl, AT, AC, PS, cruise, tilt, stereo/cassette, PW, PDL, power seats.	$13,344	$7,684	$5,660 ($189/mo.)

(1) Original Cost. Unit placed in service 10/84; dealer invoice less fleet allowances.
(2) Resale Value: 90% AMR (4/87) Clean, Zone 1 — adjusted for equipment and mileage (55,100 mi.).

USED CARS

The following are average car prices ending February 3, 1988. Prices are based on wholesale activity at major dealers across the country. They are divided into three zones as indicated on the accompanying map. These averages are calculated electronically in IBM machines. They are based on clean cars only. Proper allowance should be made for upgrading sharp cars and proper deduction taken for fair cars. Automatic transmissions have been included in the averages of all models. This information is published in *Automotive Fleet* by special permission of Automotive Market Report.

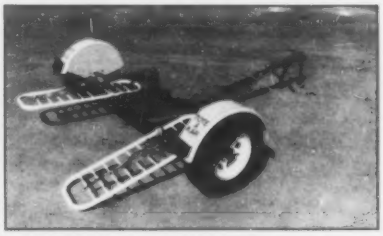
Model	Zone 1	Zone 2	Zone 3
86 AMC ALLIANCE			
Sdn 4 Dr L Series	3650	3687	3577
85 AMC ALLIANCE			
Sdn 4 Dr L Series	2844	2872	2787
86 AMC ENCORE			
Sdn 5-Dr S Series	3626	3663	3554
85 AMC ENCORE			
Sdn 5-Dr S Series	2817	2846	2761
86 BUICK SKYHAWK			
Cust Coupe	5038	5089	4937
Cust Sdn	5115	5166	5013
86 BUICK CENTURY			
Cust Sdn	6529	6595	6400
85 BUICK CENTURY			
Cust Sdn	5297	5350	5192
86 BUICK SKYLARK			
Cust Sdn	6533	6599	6403
85 BUICK SKYLARK			
Cust Sdn	3997	4038	3917
86 BUICK SOMERSET REGAL			
Coupe	6591	6656	6459
86 BUICK RIVIERA			
Coupe	10,732	10,839	10,518
85 BUICK RIVIERA			
Coupe	8882	8970	8705
86 BUICK LE SABRE			
Cust Sdn	8052	8132	7892
85 BUICK LE SABRE			
Cust Sdn	6501	6566	6371
86 CADILLAC DE VILLE			
Cpe	12,395	12,518	12,147
Sdn	12,557	12,683	12,308
85 CADILLAC DE VILLE			
Cpe	9616	9712	9423
Sdn	9616	9712	9423
86 CADILLAC SEVILLE			
Sdn	15,386	15,540	15,078
85 CADILLAC SEVILLE			
Sdn	13,228	13,361	12,966
86 CHEVY CHEVETTE			
Htchbk 4 Dr	3294	3326	3229
85 CHEVY CHEVETTE			
Htchbk 4 Dr	2624	2652	2572
86 CHEVY CAMARO			
Cpe	6925	6994	6786
85 CHEVY CAMARO			
Cpe	5819	5877	5703
86 CHEVY CAVALIER			
Sdn	4714	4761	4620
85 CHEVY CAVALIER			
Sdn	3761	3799	3687
86 CHEVY CELEBRITY			
Sdn	6105	6165	5984
85 CHEVY CELEBRITY			
Sdn	4742	4790	4648
86 CHEVY CAPRICE			
Sdn	6532	6597	6401
85 CHEVY CAPRICE			
Sdn	6130	6191	6006
86 CHRYSLER LE BARON			
Cpe	6061	6122	5941
Sdn	6121	6183	6000
85 CHRYSLER LE BARON			
Cpe	4882	4930	4786
Sdn	4913	4964	4816
86 CHRYSLER FIFTH AVENUE			
Sdn	9216	9308	9032
85 CHRYSLER FIFTH AVENUE			
Sdn	7558	7634	7405
86 DODGE OMNI			
Htchbk 4 Dr	3759	3795	3683
85 DODGE OMNI			
Htchbk 4 Dr	2949	2979	2890
86 DODGE ARIES			
Sdn	4678	4726	4583
85 DODGE ARIES			
Sdn	3550	3584	3478
86 DODGE DIPLOMAT			
Sln Sdn	5370	5424	5263
85 DODGE DIPLOMAT			
Sln Sdn	4157	4197	4072
86 DODGE LANCER			
Sdn	6045	6107	5925
86 DODGE 600			
Sdn	5770	5827	5654
85 DODGE 600			
Sdn	4414	4458	4326
86 FORD ESCORT			
Htchbk 4 Dr L Series	3937	3979	3859
85 FORD ESCORT			
Htchbk 4 Dr L Series	3106	3135	3043
86 FORD MUSTANG			
LX-4 Cpe	5583	5638	5470
85 FORD MUSTANG			
LX-4 Cpe	4566	4611	4476
86 FORD TAURUS			
GL Sdn 4 Dr	7721	7801	7569
86 FORD TEMPO			
GL Sdn 4 Dr	4908	4957	4810
85 FORD TEMPO			
GL Sdn 4 Dr	3835	3874	3759
86 FORD LTD			
Sdn	5100	5151	4997
85 FORD LTD			
Sdn	3993	4032	3911
86 FORD CROWN VIC			
Sdn	8624	8711	8453
85 FORD CROWN VIC			
Sdn	7088	7159	6946
86 FORD THUNDERBIRD			
Cpe	7356	7429	7210
85 FORD THUNDERBIRD			
Cpe	6075	6135	5952
86 LINCOLN CONTINENTAL			
Sdn	14,507	14,653	14,217
Town Car Sdn	13,210	13,341	12,944
Mark VII Cpe	14,144	14,284	13,861
85 LINCOLN CONTINENTAL			
Sdn	11,885	12,003	11,648
Town Car Sdn	10,732	10,839	10,518
Mark VII Cpe	11,642	11,758	11,408
86 MERCURY LYNX			
L Htchbk 4 Dr	3979	4018	3898
85 MERCURY LYNX			
L Htchbk 4 Dr	3134	3166	3072
86 MERCURY COUGAR			
Cpe LS	8183	8266	8020
85 MERCURY COUGAR			
Cpe LS	5539	5594	5429
86 MERCURY TOPAZ			
GS Sdn 4 Dr	5085	5136	4984
85 MERCURY TOPAZ			
GS Sdn 4 Dr	3960	4000	3882
86 MERCURY MARQUIS			
Sdn	5194	5246	5091
85 MERCURY MARQUIS			
Sdn	4046	4088	3965
86 MERCURY GRAND MARQUIS			
Sdn	9206	9299	9022
85 MERCURY GRAND MARQUIS			
Sdn	7520	7596	7369
86 OLDS FIRENZA			
Sdn	5115	5166	5013
85 OLDS FIRENZA			
Sdn	4024	4063	3943
86 OLDS CIERA			
L Coupe	6459	6525	6331
L Sdn	6537	6602	6407
85 OLDS CIERA			
LS Cpe	5226	5278	5122
LS Sdn	5292	5345	5187
86 OLDS CALAIS			
Sdn	6557	6623	6427
86 OLDS CUTLASS SUPREME			
Cpe	7164	7236	7019
Sdn	6980	7051	6842
85 OLDS CUTLASS SUPREME			
Sdn	5758	5815	5642
86 OLDS DELTA 98			
Rgcy Sdn	9623	9720	9432
85 OLDS DELTA 98			
Rgcy Sdn	7878	7956	7719
86 PLYMOUTH HORIZON			
Htchbk 4 Dr	3757	3793	3681
85 PLYMOUTH HORIZON			
Htchbk 4 Dr	2945	2976	2887
86 PLYMOUTH RELIANT			
Sdn	4659	4704	4565
85 PLYMOUTH RELIANT			
Sdn	3551	3585	3480
86 PLYMOUTH CARAVELLE			
SE Sdn	5879	5937	5761
86 PLYMOUTH GRAN FURY			
Salon Sdn	5404	5458	5296
85 PLYMOUTH GRAN FURY			
Salon Sdn	4298	4339	4210
86 PONTIAC T-1000			
Sdn	3328	3362	3261
85 PONTIAC T-1000			
Sdn	2679	2706	2624
86 PONTIAC SUNBIRD			
Sdn	5061	5111	4958
85 PONTIAC SUNBIRD			
Sdn	3990	4032	3912
86 PONTIAC 6000			
Sdn	6353	6417	6227
85 PONTIAC 6000			
Sdn	4938	4987	4838
86 PONTIAC GRAND AM			
Sdn	6803	6870	6665
86 PONTIAC FIREBIRD			
Cpe	7011	7081	6871
85 PONTIAC FIREBIRD			
Cpe	5888	5948	5770
86 PONTIAC BONNEVILLE			
Sdn	6692	6759	6559
85 PONTIAC BONNEVILLE			
Sdn	5196	5248	5092
86 PONTIAC GRAND PRIX			
Cpe	7050	7122	6910
85 PONTIAC GRAND PRIX			
Cpe	5877	5937	5760
86 PONTIAC PARISIENNE			
Sdn	8034	8115	7876
85 PONTIAC PARISIENNE			
Sdn	6357	6420	6229
86 NISSAN SENTRA			
Std Sdn 2 Dr	4338	4381	4251
86 NISSAN STANZA			
GL Ntch 4 Dr	7008	7078	6868
86 NISSAN MAXIMA			
SE Sdn	10,103	10,204	9901
85 NISSAN SENTRA			
Std Sdn 2 Dr	3473	3508	3404
85 NISSAN STANZA			
XE Htchbk 4 Dr	5147	5198	5044
85 NISSAN MAXIMA			
SE Sdn	8333	8416	8166
86 TOYOTA COROLLA			
Sdn 4 Dr Dlx	6055	6116	5934
86 TOYOTA CAMRY			
Sdn 4 Dr Dlx	8146	8227	7983
86 TOYOTA CRESSIDA			
Lux Sdn	11,647	11,763	11,414
85 TOYOTA COROLLA			
Sdn 4 Dr Dlx	5075	5126	4974
85 TOYOTA CAMRY			
Dlx Sdn 4 Dr	6656	6723	6523
85 TOYOTA CRESSIDA			
Sdn	9124	9215	8942
86 VOLKSWAGEN JETTA			
Sdn 4 Dr	7126	7197	6983
85 VOLKSWAGEN JETTA			
Sdn 4 Dr	5923	5982	5805

NEW PRODUCTS

ent towing hooks. *Automotive Division, Liftex, Inc.*

Circle 207 on Inquiry Card

COMMERCIAL MODEL 137 will haul all vehicles from front or rear including compacts and one-ton pickups or vans. There are no removable parts to lose, and one person can easily load a vehicle in



less than two minutes. The Tote-A-Car features a tubular design that enables it to be one of the most competitively-priced towing dollies on the market. *TowPro, Inc.*

Circle 208 on Inquiry Card

GAS PRICES

City	UNLEADED Cost Per Gallon Unleaded Full-Serve	Self-Serve
Pine Bluff, AR	114.9	77.9
Los Angeles, CA	129.2	90.0
Hartford, CT	119.4	108.4
Pensacola, FL	119.6	86.9
Swainsboro, GA	104.5	74.4
South Bend, IN	121.9	82.2
Lexington, KY	111.9	83.9
Detroit, MI	132.2	90.0
Springfield, MO	108.4	74.6
Charlotte, NC	134.9	85.9
Las Vegas, NV	111.9	85.4
Brooklyn, NY	104.2	93.9
Oil City, PA	92.9	86.4
Corpus Christi, TX	108.4	82.6
Everett, WA	123.9	84.4

Survey conducted during the first five working days of February 1988.
Supplied by Runzheimer International, Runzheimer Park, Rochester, WI.

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